

***Financial Report***

***Lafourche Parish Drainage District No. 1***

***Galliano, Louisiana***

***For the year ended December 31, 2013***

## **TABLE OF CONTENTS**

### **Lafourche Parish Drainage District No. 1**

For the year ended December 31, 2013

|  | <u>Exhibit</u> | <u>Page<br/>Number</u> |
|--|----------------|------------------------|
| <b>Introductory Section</b>  |                |                        |
| Title Page   |                | i                      |
| Table of Contents  |                | ii – iii               |
| <b>Financial Section</b>   |                |                        |
| Independent Auditor's Report   |                | 1 – 2                  |
| Management's Discussion and Analysis   |                | 3 – 7                  |
| Financial Statements:  |                |                        |
| Government-wide and Fund Financial Statements:   |                |                        |
| Statement of Net Position and Governmental Fund<br>Balance Sheet   | A              | 8                      |
| Reconciliation of the Governmental Fund Balance<br>Sheet to the Statement of Net Position  | B              | 9                      |
| Statement of Activities and Statement of Governmental Fund<br>Revenues, Expenditures and Changes in Fund Balance                             | C              | 10                     |
| Reconciliation of the Statement of Governmental Fund<br>Revenues, Expenditures and Changes in Fund<br>Balance to the Statement of Activities | D              | 11                     |
| Statement of Governmental Fund Revenues, Expenditures<br>and Changes in Fund Balance - Budget and Actual - General Fund                      | E              | 12                     |
| Notes to Financial Statements  | F              | 13 – 22                |

**TABLE OF CONTENTS**  
**(Continued)**

**Page**  
**Number**

**Special Reports Of Certified Public Accountants**

|   |         |
|---|---------|
| Independent Auditor's Report on Internal Control over Financial Reporting and on Compliance and Other Matters Based on an Audit of Financial Statements Performed in Accordance with <u>Government Auditing Standards</u> | 23 – 24 |
| Schedule of Findings and Responses  | 25      |

**Reports By Management**

|   |    |
|---|----|
| Schedule of Prior Year Findings and Responses | 26 |
| Management's Corrective Action Plan           | 27 |

## **FINANCIAL SECTION**

## **INDEPENDENT AUDITOR'S REPORT**

To the Board of Commissioners,  
Lafourche Parish Drainage District No. 1,  
Galliano, Louisiana.

We have audited the accompanying financial statements of the governmental activities and the General Fund of the Lafourche Parish Drainage District No. 1, State of Louisiana (the District), a component unit of the Lafourche Parish Council, State of Louisiana, as of and for the year ended December 31, 2013, and the related notes to the financial statements, which collectively comprise the District's basic financial statements as listed in the table of contents.

### **Management's Responsibility for the Financial Statements**

Management is responsible for the preparation and fair presentation of these financial statements in accordance with accounting principles generally accepted in the United States of America; this includes the design, implementation, and maintenance of internal control relevant to the preparation and fair presentation of financial statements that are free from material misstatement, whether due to fraud or error.

### **Auditor's Responsibility**

Our responsibility is to express opinions on these financial statements based on our audit. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in Government Auditing Standards, issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the District's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the District's internal control. Accordingly, we express no such opinion. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinions.

## **Opinions**

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of the governmental activities and the General Fund of the Lafourche Parish Drainage District No. 1 as of December 31, 2013, and the respective changes in financial position and the budgetary comparison for the General Fund for the year then ended in accordance with accounting principles generally accepted in the United States of America.

## **Other Matters**

### *Required Supplementary Information*

Accounting principles generally accepted in the United States of America require that Management's Discussion and Analysis on pages 3 through 7 be presented to supplement the basic financial statements. Such information, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board, who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. We have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

## **Other Reporting Required by Government Auditing Standards**

In accordance with Government Auditing Standards, we have also issued our report dated May 8, 2014 on our consideration of Lafourche Parish Drainage District No. 1's internal control over financial reporting and our tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing and not to provide an opinion on the internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with Government Auditing Standards in considering the District's internal control over financial reporting and compliance.



Certified Public Accountants.

Thibodaux, Louisiana,  
May 8, 2014.

## **MANAGEMENT'S DISCUSSION AND ANALYSIS**

### **Lafourche Parish Drainage District No. 1**

Management's Discussion and Analysis of the Lafourche Parish Drainage District No. 1's (the District) financial performance presents a narrative overview and analysis of the District's financial activities for the year ended December 31, 2013. This document focuses on the current year's activities, resulting changes, and currently known facts. Please read this document in conjunction with financial statements, which follow this section.

### **FINANCIAL HIGHLIGHTS**

The District's assets exceeded its liabilities at the close of fiscal year 2013 by \$1,493,463 (net position), which represents a 15.93% decrease from last fiscal year.

The District's revenue increased \$2,037,009 (or 401.90%) primarily due to the increases in intergovernmental revenues.

The District's expenses increased \$2,356,364 (or 500.93%) primarily due to increases in repairs and maintenance.

The District did not have a deficit fund balance as of December 31, 2013.

### **OVERVIEW OF THE FINANCIAL STATEMENTS**

This discussion and analysis is intended to serve as an introduction to the District's financial statements. The District's annual report consists of three parts: (1) management's discussion and analysis (this section) (2) financial statements and (3) various governmental compliance reports and schedules by certified public accountants and management.

The financial statements include two kinds of statements that present different views of the District:

#### **Government-wide Financial Statements**

The government-wide financial statements are designed to provide readers with a broad overview of the District's finances, in a manner similar to a private sector business. The Statement of Net Position presents information on all of the District's assets, deferred outflows of resources, liabilities, and deferred inflows of resources with the difference reported as net position. Over time, increases or decreases in net position may serve as a useful indicator of whether the financial position of the District is improving or deteriorating. The Statement of Activities presents information showing how the District's net position changed during each fiscal year. All changes in net position are reported as soon as the underlying event giving rise to the change occurs regardless of the timing of related cash flows. Thus, revenues and expenses are reported in this

statement for some items that will only result in cash flows in future fiscal periods. The governmental activity of the District is public works which is comprised of providing drainage improvements throughout Drainage District No. 1 in Lafourche Parish.

Capital assets purchased by the District for the purpose of maintaining and improving drainage within the District are operated and maintained by the Lafourche Parish Government. Those assets are accounted for by the Lafourche Parish Government, accordingly purchases of such capital assets are reported by the District as intergovernmental expenses.

## **Fund Financial Statements**

A fund is a grouping of related accounts that is used to maintain control over resources that have been segregated for specific activities or objectives. At the end of December 31, 2013, the District has one governmental fund, the General Fund.

## **Governmental Funds**

Governmental funds are used to account for essentially the same functions reported as governmental activities in the government-wide financial statements. However, unlike the government-wide financial statements, governmental fund financial statements focus on near-term inflows and outflows of spendable resources, as well as on balances of spendable resources available at the end of the fiscal year. Because the focus of governmental funds is narrower than that of the government-wide financial statements, it is useful to compare the information presented for governmental funds with similar information presented for governmental activities in the government-wide financial statements. Both the Governmental Fund Balance Sheet and the Governmental Fund Statement of Revenues, Expenditures, and Changes in Fund Balance provide a reconciliation to facilitate this comparison between governmental funds and governmental activities.

The District maintains an individual governmental fund, the General Fund, at December 31, 2013. Information is presented separately in the Governmental Fund Balance Sheet and in the Governmental Fund Statement of Revenues, Expenditures, and Changes in Fund Balance. The District adopts an annual appropriated budget for its General Fund. A budgetary comparison statement has been provided for the General Fund to demonstrate compliance with this budget. The governmental fund financial statements can be found on pages 8 - 12 of this report.

## **Notes to the Financial Statements**

The notes provide additional information that is essential to a full understanding of the data provided in the government-wide and fund financial statements. The notes to the financial statements can be found in Exhibit F of this report.



## **GOVERNMENT-WIDE FINANCIAL ANALYSIS**

As noted earlier, net position may serve over time as a useful indicator of the District's financial position. As of December 31, 2013, assets and deferred outflows exceeded liabilities and deferred inflows by \$1,493,463

Investments, \$1,345,455, represent 54.51% of total assets and are comprised of certificates of deposit. Receivables related to ad valorem taxes and state revenue sharing for taxes assessed in November 2013 total \$444,655 or 18.01% of total assets. Receivables due from the State of Louisiana for the reimbursement of construction on drainage improvements total \$473,945 or 19.20% of total assets. Cash and interest receivable, \$204,436 represents 8.28% of total assets. Cash, investments and receivables are assets available for spending.

### **Condensed Statements of Net Position**

|                               | December 31,        |                     | Dollar              |
|-------------------------------|---------------------|---------------------|---------------------|
|                               | 2013                | 2012                | Change              |
| Current and other assets      | \$ 2,468,491        | \$ 2,171,615        | \$ 296,876          |
| Current Liabilities           | (530,373)           | (6,138)             | (524,235)           |
| Deferred Inflows of resources | (444,655)           | (389,107)           | (55,548)            |
| Net Position:                 |                     |                     |                     |
| Unrestricted                  | <u>\$ 1,493,463</u> | <u>\$ 1,776,370</u> | <u>\$ (282,907)</u> |

### **Governmental Activities**

Governmental activities decreased the District's net position by \$282,907. Key elements of this increase are as follows:

### **Condensed Statement of Activities**

|                                     | For the Year Ended<br>December 31, |                     | Dollar              | Total             |
|-------------------------------------|------------------------------------|---------------------|---------------------|-------------------|
|                                     | 2013                               | 2012                | Change              | Percent<br>Change |
| <b>Revenues:</b>                    |                                    |                     |                     |                   |
| Ad valorem taxes                    | \$ 373,475                         | \$ 336,444          | \$ 37,031           | 11.01%            |
| Intergovernmental                   | 2,162,972                          | 157,015             | 2,005,957           | 1277.56%          |
| Miscellaneous                       | 7,410                              | 13,389              | (5,979)             | -44.66%           |
| Total revenues                      | <u>2,543,857</u>                   | <u>506,848</u>      | <u>2,037,009</u>    | <u>401.90%</u>    |
| <b>Expenses:</b>                    |                                    |                     |                     |                   |
| General government                  | 34,759                             | 21,655              | 13,104              | 60.51%            |
| Public works                        | 2,792,005                          | 448,745             | 2,343,260           | 522.18%           |
| Total expenses                      | <u>2,826,764</u>                   | <u>470,400</u>      | <u>2,356,364</u>    | <u>500.93%</u>    |
| (Decrease) Increase in net position | (282,907)                          | 36,448              | (319,355)           | -876.19%          |
| Net position, beginning of year     | 1,776,370                          | 1,739,922           | 36,448              | 2.09%             |
| Net position, end of year           | <u>\$ 1,493,463</u>                | <u>\$ 1,776,370</u> | <u>\$ (282,907)</u> | <u>-15.93%</u>    |

The increase in revenue is due to an agreement with the State of Louisiana Department of Transportation and Development for Company Canal Pump Station and West Cut Off Drainage Improvement projects. As a result of these two major projects, the District's maintenance expenses also increased during 2013.

## **FINANCIAL ANALYSIS OF THE GOVERNMENT'S FUND**

As noted earlier, the District uses fund accounting to ensure and demonstrate compliance with finance-related legal requirements.

### **Governmental Funds**

The focus of the District's governmental fund is to provide information on near-term inflows, outflows, and balances of spendable resources. Such information is useful in assessing the District's financing requirements. In particular, unassigned fund balance may serve as a useful measure of a government's net resources available for spending at the end of the fiscal year. As of the end of the current fiscal year, the District's governmental fund, the General Fund, reported ending fund balance of \$1,491,337, which is a decrease of \$281,366 in comparison with the prior year and is available for spending at the District's discretion.

### **General Fund Budgetary Highlights**

The budget was amended once during the year. The primary reason for amending the budget was to prevent compliance violations under state law. The major differences between the original General Fund budget and the final amended budget were as follows:

#### **Revenues**

- The District increased ad valorem revenue in anticipation of more taxes being collected.
- The District increased intergovernmental revenue to reflect the revenues expected from the State of Louisiana Department of Transportation and Development.

#### **Expenditures**

- The District decreased other services and charges and increased repairs and maintenance to reflect the actual expenditures necessary during the year.

During the year, actual revenues exceeded the budgetary estimates, while actual expenditures were less than budgetary estimates.

## **ECONOMIC FACTORS AND NEXT YEAR'S BUDGET AND RATES**

The Board of Directors considered the following factors and indicators when setting next year's budget, rates, and fees. These factors and indicators include:

- The ad valorem tax revenue budgeted represents the estimated amount of the November 2013 assessment, which the District will receive, for the most part, in January 2014.
- Significant repairs and maintenance are planned for roads, levees and pump stations.
- Equipment costs are budgeted if needed.

## **REQUESTS FOR INFORMATION**

This financial report is designed to provide a general overview of the District's finances for all those with an interest in the District's finances. Questions concerning any of the information provided in this report or requests for additional financial information should be addressed to Board of Directors of the Lafourche Parish Drainage District No. 1, Galliano, Louisiana 70354.

**STATEMENT OF NET POSITION AND  
GOVERNMENTAL FUND BALANCE SHEET**

**Lafourche Parish Drainage District No. 1**

December 31, 2013

|  | <u>General<br/>Fund</u> | <u>Adjustments</u>  | <u>Statement<br/>of Net Position</u> |
|--|-------------------------|---------------------|--------------------------------------|
| <b>Assets</b>  |                         |                     |                                      |
| Cash   | \$ 202,310              |                     | \$ 202,310                           |
| Investments  | 1,345,455               |                     | 1,345,455                            |
| Receivables:   |                         |                     |                                      |
| Taxes  | 66,505                  |                     | 66,505                               |
| Interest   | -                       | \$ 2,126            | 2,126                                |
| Due from other governmental units                                    | 852,095                 | -                   | 852,095                              |
| Total assets   | <u>\$ 2,466,365</u>     | <u>2,126</u>        | <u>2,468,491</u>                     |
| <b>Liabilities</b>   |                         |                     |                                      |
| Accounts payable   | \$ 530,373              | -                   | 530,373                              |
| Unavailable revenue  | 444,655                 | (444,655)           | -                                    |
| Total liabilities  | <u>975,028</u>          | <u>(444,655)</u>    | <u>530,373</u>                       |
| <b>Deferred Inflows of Resources</b>                                 | <u>-</u>                | <u>444,655</u>      | <u>444,655</u>                       |
| <b>Fund Balance/Net Position</b>                                     |                         |                     |                                      |
| Fund balance:  |                         |                     |                                      |
| Assigned to:   |                         |                     |                                      |
| Subsequent year's expenditures                                       | 469,600                 | (469,600)           |                                      |
| Unassigned   | 1,021,737               | (1,021,737)         | -                                    |
| Total fund balances  | <u>1,491,337</u>        | <u>(1,491,337)</u>  | <u>-</u>                             |
| Total liabilities, deferred inflow of<br>resources and fund balances | <u>\$ 2,466,365</u>     |                     |                                      |
| Net position - unrestricted  |                         | <u>1,493,463</u>    | <u>1,493,463</u>                     |
| Total net position   |                         | <u>\$ 1,493,463</u> | <u>\$ 1,493,463</u>                  |

See notes to financial statements.

**RECONCILIATION OF THE GOVERNMENTAL FUND**  
**BALANCE SHEET TO THE STATEMENT OF NET POSITION**

**Lafourche Parish Drainage District No. 1**

December 31, 2013

|   |                            |
|---|----------------------------|
| <b>Fund Balance - Governmental Fund</b>   | \$ 1,491,337               |
| Amounts reported for governmental activities in<br>the Statement of Net Position are different because: |                            |
| Other assets used in governmental activities<br>and, therefore, are not reported in governmental funds. |                            |
| Accrued interest  | <u>2,126</u>               |
| <b>Net Position of Governmental Activities</b>  | <b><u>\$ 1,493,463</u></b> |

See notes to financial statements.

**STATEMENT OF ACTIVITIES AND STATEMENT OF  
GOVERNMENTAL FUND REVENUES, EXPENDITURES AND  
CHANGES IN FUND BALANCE**

**Lafourche Parish Drainage District No. 1**

For the year ended December 31, 2013

|   | General<br>Fund | Adjustments | Statement<br>of Activiites |
|---|-----------------|-------------|----------------------------|
| <b>Revenues</b>                                 |                 |             |                            |
| Taxes   | \$ 373,475      |             | \$ 373,475                 |
| Intergovernmental:                              |                 |             |                            |
| State of Louisiana:                             |                 |             |                            |
| State revenue sharing                           | 15,651          |             | 15,651                     |
| Department of Transportation<br>and Development | 2,147,321       |             | 2,147,321                  |
| Miscellaneous:                                  |                 |             |                            |
| Interest  | 8,951           | \$ (1,541)  | 7,410                      |
| Total revenues                                  | 2,545,398       | (1,541)     | 2,543,857                  |
| <b>Expenditures</b>                             |                 |             |                            |
| Current:  |                 |             |                            |
| General government:                             |                 |             |                            |
| Ad valorem tax adjustment<br>and deductions     | 34,759          | -           | 34,759                     |
| Public works:                                   |                 |             |                            |
| Personal services                               | 2,492           | -           | 2,492                      |
| Supplies and materials                          | 667             | -           | 667                        |
| Other services and charges                      | 50,512          | -           | 50,512                     |
| Repairs and maintenance                         | 2,718,902       | -           | 2,718,902                  |
| Intergovernmental                               | 19,432          | -           | 19,432                     |
| Total public works                              | 2,792,005       | -           | 2,792,005                  |
| Total expenditures/expenses                     | 2,826,764       | -           | 2,826,764                  |
| <b>Net Change in Fund Balance</b>               | (281,366)       | 281,366     | -                          |
| <b>Change in Net Position</b>                   | -               | (282,907)   | (282,907)                  |
| <b>Fund Balance/Net Position</b>                |                 |             |                            |
| Beginning of year                               | 1,772,703       | 3,667       | 1,776,370                  |
| End of year                                     | \$ 1,491,337    | \$ 2,126    | \$ 1,493,463               |

See notes to financial statements.

**RECONCILIATION OF THE STATEMENT OF GOVERNMENTAL  
FUND REVENUES, EXPENDITURES AND CHANGES IN FUND  
BALANCE TO THE STATEMENT OF ACTIVITIES**

**Lafourche Parish Drainage District No. 1**

For the year ended December 31, 2013

|  |                            |
|--|----------------------------|
| <b>Net Change in Fund Balance - Governmental Fund</b>  | <b>\$ (281,366)</b>        |
| Amounts reported for governmental activities in the Statement of Activities<br>are different because:                                  |                            |
| Other assets used in governmental activities are not financial resources<br>and therefore, are not reported in the governmental funds. |                            |
| Decrease in accrued interest   | <u>(1,541)</u>             |
| <b>Change in Net Position of Governmental Activities</b>   | <b><u>\$ (282,907)</u></b> |

See notes to financial statements.

**STATEMENT OF GOVERNMENTAL FUND REVENUES, EXPENDITURES AND  
CHANGES IN FUND BALANCE - BUDGET AND ACTUAL -  
GENERAL FUND**

**Lafourche Parish Drainage District No. 1**

For the year ended December 31, 2013

|   | Budgeted Amounts |              | Budgetary    | Variance with                              |
|---|------------------|--------------|--------------|--|
|   | Original         | Final        | Basis        | Final Budget<br>Favorable<br>(Unfavorable) |
| <b>Revenues</b>                                 |                  |              |              |  |
| Taxes   | \$ 348,000       | \$ 354,162   | \$ 338,851   | \$ (15,311)                                |
| Intergovernmental:                              |                  |              |              |  |
| State of Louisiana:                             |                  |              |              |  |
| State revenue sharing                           | 15,000           | -            | 15,651       | 15,651                                     |
| Department of Transportation<br>and Development | -                | 1,671,445    | 1,673,376    | 1,931                                      |
| Miscellaneous:                                  |                  |              |              |  |
| Interest  | 4,000            | 472          | 8,703        | 8,231                                      |
| Total revenues                                  | 367,000          | 2,026,079    | 2,036,581    | 10,502                                     |
| <b>Expenditures</b>                             |                  |              |              |  |
| Current:  |                  |              |              |  |
| General government:                             |                  |              |              |  |
| Ad valorem tax adjustments<br>and deductions    | 9,000            | -            | -            | -  |
| Public works:                                   |                  |              |              |  |
| Personal services                               | 15,600           | 4,975        | 2,492        | 2,483                                      |
| Supplies and materials                          | 500              | 239          | 667          | (428)                                      |
| Other services and charges                      | 249,500          | 90,550       | 48,904       | 41,646                                     |
| Repairs and maintenance                         | 170,000          | 2,182,938    | 2,196,161    | (13,223)                                   |
| Intergovernmental                               | -                | -            | 19,432       | (19,432)                                   |
| Total public works                              | 435,600          | 2,278,702    | 2,267,656    | 11,046                                     |
| Total expenditures                              | 444,600          | 2,278,702    | 2,267,656    | 11,046                                     |
| <b>Net Change in<br/>Fund Balance</b>           | (77,600)         | (252,623)    | (231,075)    | 21,548                                     |
| <b>Fund Balance</b>                             |                  |              |              |  |
| Beginning of year                               | 1,885,054        | 1,778,841    | 1,778,841    | -  |
| End of year                                     | \$ 1,807,454     | \$ 1,526,218 | \$ 1,547,766 | \$ 21,548                                  |

See notes to financial statements.



## NOTES TO FINANCIAL STATEMENTS

### Lafourche Parish Drainage District No. 1

December 31, 2013

#### Note 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The accounting policies of Lafourche Parish Drainage District No. 1 (the District) conform to accounting principles generally accepted in the United States of America (GAAP) as applied to governmental units. The Governmental Accounting Standards Board (GASB) is the accepted standard-setting body for establishing governmental accounting and financial reporting principles. The following is a summary of significant accounting policies:

##### a) Reporting Entity

The District is a component unit of the Lafourche Parish Government (the Parish) and as such, these financial statements will be included in the comprehensive annual financial report (CAFR) of the Parish for the year ended December 31, 2013.

GASB Statement No. 14, *The Financial Reporting Entity*, and GASB Statement No. 39, *Determining Whether Certain Organizations Are Component Units-an amendment of GASB Statement No. 14* and GASB Statement No. 61, *The Financial Reporting Entity: Omnibus an Amendment of GASB Statement No. 14 and No. 34* established the criterion for determining which component units should be considered part of the District for financial reporting purposes. The basic criteria are as follows:

1. Legal status of the potential component unit including the right to incur its own debt, levy its own taxes and charges, expropriate property in its own name, sue and be sued, and the right to buy, sell and lease property in its own name.
2. Whether the governing authority appoints a majority of the board members of the potential component unit.
3. Fiscal interdependency between the District and the potential component unit.
4. Imposition of will by the District on the potential component unit.
5. Financial benefit/burden relationship between the District and the potential component unit.

The District has reviewed all of its activities and determined that there are no potential component units that should be included in its financial statements.

**Note 1- SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)**

**b) Basis of Presentation**

The District's financial statements consist of the government-wide statements on all activities of the District and the governmental fund financial statements.

**Government-wide Financial Statements:**

The government-wide financial statements include the Statement of Net Position and the Statement of Activities for all activities of the District. The government-wide presentation focuses primarily on the sustainability of the District as an entity and the change in aggregate financial position resulting from the activities of the fiscal period. Governmental activities generally are financed through taxes, intergovernmental revenues and other non-exchange revenues.

**Fund Financial Statements:**

The fund financial statements are very similar to the traditional government fund statements as presented by governments prior to the issuance of GASB Statement No. 34. The daily account and operations of the District continue to be organized on the basis of a fund and account groups, each of which is considered a separate accounting entity. The operations of the fund are accounted for with a separate set of self-balancing accounts that comprise its assets, liabilities, equity, revenues and expenditures. Government resources are allocated to and accounted for in the fund based upon the purpose for which they are to be spent and the means by which spending activities are controlled. The following is the governmental fund of the District:

**General Fund** - The General Fund is the general operating fund of the District. It is used to account for and report all financial resources not accounted for and reported in another fund.

**c) Measurement Focus and Basis of Accounting**

Measurement focus is a term used to describe "which" transactions are recorded within the various financial statements. Basis of accounting refers to "when" transactions are recorded regardless of the measurement focus applied.

**Government-wide Financial Statements:**

The government-wide financial statements are reported using the economic resources measurement focus and the accrual basis of accounting. Revenues are recorded when earned and expenses are recorded when a liability is incurred, regardless of the timing of related cash flows. Property taxes are recognized in the year for which they are levied.

**Note 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)**

**c) Measurement Focus and Basis of Accounting (continued)**

**Fund Financial Statements:**

All governmental funds are accounted for using a current financial resources measurement focus. With this measurement focus, only current assets and current liabilities generally are included on the balance sheet. Operating statements of these funds present increases (revenues and other financing sources) and decreases (expenditures and other uses) in net current assets. Governmental funds are maintained on the modified accrual basis of accounting.

Governmental fund revenues resulting from exchange transactions are recognized in the fiscal year in which the exchange takes place and meets the government's availability criteria (susceptible to accrual). Available means that the resources will be collected within the current year or are expected to be collected soon enough thereafter to be used to pay liabilities of the current year. For this purpose, the District considers revenues to be available if they are collected within 60 days of the end of the current fiscal year. Ad valorem taxes and the related state revenue sharing (intergovernmental revenue) are recognized as revenue in the period for which levied, thus the 2013 property taxes which are levied to finance the 2014 budget will be recognized as revenue in 2014. The 2013 tax levy is recorded as unavailable revenue in fund financial statements and as deferred inflows of resources in the government-wide financial statements. Intergovernmental grants are recognized as revenue when all grant requirements have been met. Charges for services are recorded when earned since they are measurable and available. Miscellaneous revenues are recorded as revenues when received in cash by the District because they are generally not measurable until actually received.

Expenditures are generally recognized under the modified accrual basis of accounting when the related fund liability is incurred. An exception to this general rule is principal and interest on general long-term debt which is recognized when due. Allocations of cost such as depreciation are not recognized in the governmental funds.

**d) Use of Estimates**

The preparation of financial statements in conformity with accounting principles generally accepted in the United States of America requires management to make estimates and assumptions that affect certain reported amounts and disclosures. Accordingly, actual results could differ from those estimates.

**Note 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)**

**e) Operating Budgetary Data**

As required by the Louisiana Revised Statutes 39:1303, the Board of Commissioners (the Board) adopted a budget for the District's General Fund. The Budgetary practices include public notice of the proposed budget, public inspection of the proposed budget and a public hearing on the budget prior to adoption. Any amendment involving the transfer of monies from one function to another or increases in expenditures must be approved by the Board. The District amended its budget once during the year. All budgeted amounts that are not expended, or obligated through contracts, lapse at year-end.

The Statement of Governmental Fund Revenues, Expenditures and Changes in Fund Balance – Budget and Actual – General Fund is presented on the budgetary basis to provide a comparison of actual results with the budget. The major differences between the GAAP basis and budgetary basis are the revenues are budgeted when received and expenditures are budgeted when paid by the District and are recorded on the modified accrual basis for fund financial statement purposes.

The adjustments necessary to convert the results of operations for the year from GAAP basis to the budgetary basis for the General Fund are as follows:

|   | Excess of<br>Revenues Over<br><u>Expenditures</u> |
|---|---|
| GAAP Basis (as reported)                              | \$ (281,366)                                      |
| Adjustments:  |   |
| Revenues:   |   |
| Net effect of budgeting revenues<br>on cash basis     | (508,817)   |
| Expenditures:   |   |
| Net effect of budgeting expenditures<br>on cash basis | <u>559,108</u>                                    |
| Budgetary Basis                                       | <u>\$ (231,075)</u>                               |

The General Fund budget presentation is included in the financial statements.

**f) Accounts Receivable**

The financial statements for the District contain no allowance for uncollectible accounts. Uncollectible amounts due for ad valorem taxes and other receivables are recognized as bad debts at the time information becomes available which would indicate the uncollectibility of the particular receivable. These amounts are not considered to be material in relation to the financial position or operations of the funds.

**Note 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)**

**g) Investments**

Investments consist of certificates of deposit that are stated at cost and approximate market value.

**h) Unavailable Revenues/Deferred Inflows of Resources**

The District reports deferred inflows of resources in the government-wide financial statements and unavailable revenues in the governmental fund financial statements when resources associated with imposed non-exchange revenue transactions are received or reported as a receivable before (a) the period for which property taxes are levied or (b) the period when resources are required to be used or when use is first permitted for all other imposed non-exchange revenues in which the enabling legislation includes time requirements.

**i) Vacation and Sick Leave**

The District has no full-time employees. There is no accumulated unpaid vacation and sick leave at December 31, 2013.

**j) Equity**

Government-wide Statements:

Equity is classified as net position and displayed in three components:

- a. Net investment in capital assets – Consists of capital assets including restricted capital assets, net of accumulated depreciation and reduced by the outstanding balances of any bonds, mortgages, notes or other borrowings that are attributable to the acquisition, construction or improvement of those assets, if any. At December 31, 2013 the District had no outstanding borrowings.
- b. Restricted net position – Consists of assets and deferred outflow of resources less liabilities and deferred inflow of resources (net position) with constraints placed on the use either by (1) external groups such as creditors, grantors, contributions or laws or regulations of other governments; or (2) law through constitutional provisions or enabling legislation.
- c. Unrestricted net position – All other net position that do not meet the definition of “restricted” or “invested in capital assets.”

**Note 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)**

**j) Equity (continued)**

When both restricted and unrestricted resources are available for use, it is the District's policy to use restricted resources first, then unrestricted resources as they are needed. As of December 31, 2013 and for the year then ended, the District did not have or receive restricted resources.

**Fund Financial Statements:**

Government fund equity is classified as fund balance. Fund balance is further classified as follows:

- a. Non-spendable – amounts that cannot be spent either because they are in non-spendable form or because they are legally or contractually required to maintain intact.
- b. Restricted – amounts that can be spent only for specific purposes because of constitutional provisions, charter requirements or enabling legislation or because of constraints that are externally imposed by creditors, grantors, contributors, or the laws or regulations of other governments.
- c. Committed – amounts that can be used only for specific purposes determined by a formal action of the District's Board of Commissioners. Commitment may be established, modified, or rescinded only through majority vote by the District's Board of Commissioners.
- d. Assigned – amounts that do not meet the criteria to be classified as either restricted or committed by that are intended to be used for specific purposes. Amounts may be assigned by a majority vote of the Board of Commissioners.
- e. Unassigned – all other spendable amounts.

For the classification of government fund balances, the District considers an expenditure to be made from the most restrictive first when more than one classification is available. The District's fund balance was classified as assigned and unassigned as of December 31, 2013.

**Note 1- SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)**

**k) New GASB Statements**

During the year ending December 31, 2013, the District implemented the following GASB Statements:

Statement No. 61, "*The Financial Reporting Entity: Omnibus.*" The objective of this Statement is to improve financial reporting for a governmental financial reporting entity. This statement did not affect the District's financial statements.

Statement No. 66, "*Technical Corrections – 2012.*" The statement enhances the usefulness of financial reports by resolving conflicting accounting and financial reporting guidance that could diminish the consistency of financial reporting. This statement did not affect the District's financial statements.

**Note 2 - DEPOSITS**

Louisiana state law allows all political subdivisions to invest excess funds in obligations of the United States or any other federally insured investment, certificates of deposit of any bank domiciled or having a branch office in the state of Louisiana, guaranteed investment contracts and investment grade (A-1/P-1) commercial paper of domestic corporations.

State law requires that deposits (cash and certificates of deposit) of all political subdivisions to be fully collateralized at all times. Acceptable collateralization includes FDIC insurance and the market value of securities purchased and pledged to the political subdivision. Obligations of the United States, the State of Louisiana and certain political subdivisions are allowed as security for deposits. Obligations furnished as security must be held by the political subdivision or with an unaffiliated bank or trust company for the account of the political subdivision.

The year-end balances of deposits are as follows:

|  | Bank<br>Balances    | Reported<br>Amounts |
|--|---------------------|---------------------|
| Cash                                     | \$ 202,310          | \$ 202,310          |
| Investments -<br>certificates of deposit | <u>1,345,455</u>    | <u>1,345,455</u>    |
| Totals                                   | <u>\$ 1,547,765</u> | <u>\$ 1,547,765</u> |

**Note 2 - DEPOSITS (Continued)**

Custodial credit risk is the risk that in the event of a bank failure, the District's deposits may not be returned to it. The District has a written policy for custodial credit risk, which reflects state law. As of December 31, 2013, \$210,129 of the District's bank balance of \$1,547,765 was exposed to custodial credit risk. These deposits were uninsured and collateralized with securities held by the pledging financial institution's trust department or agent, but not in the District's name.

At December 31, 2013, cash and certificates of deposit in excess of FDIC insurance were adequately collateralized, under state law, by securities held by unaffiliated banks for the account of the District. The Governmental Accounting Standards Board (GASB), which promulgates the standards for accounting and financial reporting for state and local governments, considers these securities subject to custodial credit risk. Even though the pledged securities are considered subject to custodial credit risk under the provisions of GASB Statement No. 40, Louisiana Revised Statute 39:1229 imposes a statutory requirement on the custodial bank to advertise and sell the pledged securities within 10 days of being notified by the depositor that the fiscal agent has failed to pay deposited funds upon demand.

**Note 3 - PROPERTY TAXES**

Property taxes are levied each November 1 on the assessed value listed as of the prior January 1 for all real property, merchandise and movable property located in the Parish. Assessed values are established by the Lafourche Parish Assessor's Office and the State Tax Commission at percentages of actual value as specified by Louisiana law. A reevaluation of all property is required to be completed no less than every four years.

The last reevaluation was completed for the list of January 1, 2012. Taxes are due and payable December 31 with interest being charged on payments after January 1. Taxes can be paid through the tax sale date, which is the last Wednesday in June. Properties for which the taxes have not been paid are sold for the amount of the taxes. The tax rate for the year ended December 31, 2013 was \$.90 per \$1,000 of assessed valuation on property within Drainage District No. 1 for the purpose of maintaining and operating recreational facilities within the District. As indicated in Note 1c, taxes levied November 1, 2013 are for budgeted expenditures in 2013 and will be recognized as revenues in 2014.



**Note 4 - DUE FROM OTHER GOVERNMENTAL UNITS**

Amounts due from other governmental units at December 31, 2013 consisted of the following:

|   |                              |
|---|------------------------------|
| State of Louisiana:                                   |                              |
| State revenue sharing                                 | \$ 15,634                    |
| Department of Transportation and Development          | 473,945                      |
| Lafourche Parish Tax Collector - December 2013        |                              |
| collections remitted to the District in January 2014: |                              |
| Ad valorem taxes                                      | <u>362,516</u>               |
| <br>Total   | <br><u><u>\$ 852,095</u></u> |

**Note 5 - CAPITAL ASSETS**

All fixed assets are purchased for and maintained by the Council; accordingly, these assets are recorded in the records of the Council.

The District has one active construction project at December 31, 2013 that will be maintained by the Council when completed. The District has a commitment in the amount of \$57,488 with the contractor at December 31, 2013 for this project.

The District also has a cooperative endeavor agreement with the Lafourche Parish Government for the reimbursement of engineering and construction of a pump station amounting to approximately \$3,800,000. Through December 31, 2013, the District has reimbursed the Lafourche Parish Government approximately \$2,400,000 in engineering and construction costs and estimates a remaining commitment of approximately \$1,400,000. The District is funding the project with state grants received from the Louisiana Department of Transportation and Development and a 10% local match, consisting of District funds. The pump station will be operated and maintained by the Lafourche Parish Government when construction is completed.

**Note 6 - RISK MANAGEMENT**

The District is exposed to various risks of loss related to torts; theft of, damage to and destruction of assets; errors and omissions; and natural disasters for which the District carries commercial insurance. No settlements were made during the year that exceeded the District's insurance coverage.

**Note 7 - COMPENSATION OF BOARD MEMBERS**

The District did not pay per diem to any of its Board Members for the year ended December 31, 2013.

**Note 8 - SUBSEQUENT EVENTS**

Management evaluates events occurring subsequent to the date of the financial statements in determining the accounting for and disclosure of transactions and events that effect the financial statements. Subsequent events have been evaluated through May 8, 2014, which is the date the financial statements were available to be issued.

**SPECIAL REPORTS OF CERTIFIED PUBLIC ACCOUNTANTS**

**INDEPENDENT AUDITOR'S REPORT ON INTERNAL CONTROL OVER FINANCIAL  
REPORTING AND ON COMPLIANCE AND OTHER MATTERS BASED ON AN AUDIT  
OF FINANCIAL STATEMENTS PERFORMED IN ACCORDANCE WITH  
GOVERNMENT AUDITING STANDARDS**

To the Board of Commissioners  
Lafourche Parish Drainage District No. 1  
Galliano, Louisiana.

We have audited, in accordance with the auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in Government Auditing Standards issued by the Comptroller General of the United States, the financial statements of the governmental activities and the General Fund of Lafourche Parish Drainage District No. 1 (the District), a component unit of the Lafourche Parish Council, State of Louisiana, as of and for the year ended December 31, 2013, and the related notes to the financial statements, which collectively comprise District's financial statements and have issued our report thereon dated May 8, 2014.

**Internal Control Over Financial Reporting**

In planning and performing our audit of the financial statements, we considered the District's internal control over financial reporting (internal control) to determine the audit procedures that are appropriate in the circumstances for the purpose of expressing our opinions on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of the District's internal control. Accordingly, we do not express an opinion on the effectiveness of the District's internal control.

*A deficiency in internal control* exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent or detect and correct misstatements on a timely basis. *A material weakness* is a deficiency or a combination of deficiencies, in internal control such that there is a reasonable possibility that a material misstatement of the District's financial statements will not be prevented, or detected and corrected on a timely basis. *A significant deficiency* is a deficiency, or a combination of deficiencies, in internal control that is less severe than a material weakness, yet important enough to merit attention by those charged with governance.

Our consideration of internal control over financial reporting was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control that might be material weaknesses or significant deficiencies and therefore, material weaknesses or significant deficiencies may exist that were not identified. Given these limitations, during the audit we did not identify any deficiencies in internal control that we consider to be material weaknesses. However, material weaknesses may exist that have not been identified

### **Compliance and Other Matters**

As part of obtaining reasonable assurance about whether the District's financial statements are free of material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit, and accordingly, we do not express such an opinion. The results of our tests disclosed instances of noncompliance or other matters that are required to be reported under Government Auditing Standards.

### **Purpose of this Report**

The purpose of this report is solely to describe the scope of our testing of internal control and compliance and the results of that testing, and not to provide an opinion on the effectiveness of the District's internal control or on compliance. This report is an integral part of an audit performed in accordance with Government Auditing Standards in considering the District's internal control and compliance. Accordingly, this communication is not suitable for any other purpose.

*Bourgeois Bennett, L.L.C.*

Certified Public Accountants.

Thibodaux, Louisiana,  
May 8, 2014.

## **SCHEDULE OF FINDINGS AND RESPONSES**

### **Lafourche Parish Drainage District No. 1**

For the year ended December 31, 2013

#### **Section I Summary of Auditor's Results**

##### **a) Financial Statements**

Type of auditor's report issued: unqualified

Internal control over financial reporting:

- Material weakness(es) identified? \_\_\_\_\_ yes      X   no
- Significant deficiency (ies) identified that are not considered to be material weaknesses? \_\_\_\_\_ yes      X   no

Noncompliance material to financial statements noted? \_\_\_\_\_ yes      X   no

##### **b) Federal Awards**

Lafourche Parish Drainage District No. 1 did not expend federal awards during the year ended December 31, 2013.

#### **Section II Financial Statement Findings**

##### **Internal Control**

No material weaknesses were reported during the audit for the year ended December 31, 2013.

No significant deficiencies were reported during the audit for the year ended December 31, 2013.

##### **Compliance and Other Matters**

No compliance findings material to the District's financial statements were noted during the audit for the year ended December 31, 2013.

#### **Section III Federal Award Findings and Questioned Costs**

Not applicable.

## **REPORTS BY MANAGEMENT**

## **SCHEDULE OF PRIOR YEAR FINDINGS AND RESPONSES**

### **Lafourche Parish Drainage District No. 1**

For the year ended December 31, 2013

#### **Section I Internal Control and Compliance Material to the Financial Statements**

##### **Internal Control**

**12-01 Recommendation** – We suggest Lafourche Parish Drainage District No. 1 adopt and implement policies and procedures to ensure that public records are properly safeguarded. District records should be stored in an organized manner at a public facility and be periodically backed up electronically.

**Management's Response** – The former secretary/treasurer, whom previously kept the records, has resigned. The District has hired an outside accountant and its records are permanently stored at the District. **Resolved.**

##### **Compliance**

**12-02 Recommendation** – We recommend Lafourche Parish Drainage District No. 1 consider adopting the measures required in Louisiana Revised Statute 39:1305 when proposing and adopting budgets.

**Management's Response** – Management has been informed of the required laws for proposing and adopting budgets and complied with them in budget preparations. **Resolved.**

**12-03 Recommendation** – We suggest Lafourche Parish Drainage District No. 1 adopt detail job descriptions for secretary-treasurer and accountant. The District should also adopt a pay policy for each position that is within state law requirements.

**Management's Response** – Management is informed of the required laws and adopted job descriptions and pay policies within state law requirements. **Resolved.**

#### **Section II Internal Control and Compliance Material to Federal Awards**

Lafourche Parish Drainage District No. 1 did not expend federal awards during the year ended December 31, 2012.

#### **Section III Management Letter**

A management letter was not issued in connection with the audit for the year ended December 31, 2012.



# **MANAGEMENT'S CORRECTIVE ACTION PLAN**

## **Lafourche Parish Drainage District No. 1**

For the year ended December 31, 2013

### **Section I Internal Control and Compliance Material to the Financial Statements**

#### **Internal Control**

No material weaknesses were reported during the audit for the year ended December 31, 2013.

No significant deficiencies were reported during the audit for the year ended December 31, 2013.

#### **Compliance and Other Matters**

No compliance findings material to the District's financial statements were noted during the audit for the year ended December 31, 2013.

### **Section II Internal Control and Compliance Material to Federal Awards**

Lafourche Parish Drainage District No. 1 did not expend federal awards during the year ended December 31, 2013.

### **Section III Management Letter**

A management letter was not issued in connection with the audit for the year ended December 31, 2013.